



# Department of Justice

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## **EDWARDS SENTENCED TO 13 YEARS IN FEDERAL PRISON FOR \$400 MILLION PAYPHONE INVESTMENT FRAUD**

Atlanta, GA - CHARLES E. EDWARDS, 67, of Atlanta, Georgia, was sentenced today by United States District Judge Jack T. Camp on charges of wire fraud, money laundering, and conspiracy to commit money laundering.

David E. Nahmias, United States Attorney for the Northern District of Georgia, said of today's sentencing, "As the evidence proved at trial, this was a serious case of fraud that victimized over 12,000 people, most of whom were retired and living on fixed incomes. The victims thought they were investing in a legitimate business, but it was in fact a Ponzi scheme that netted EDWARDS over \$21 million. We hope that the sentence today has brought some measure of justice to the many victims of this fraud."

EDWARDS was sentenced to 13 years in prison to be followed by 3 years of supervised release. EDWARDS was ordered to pay \$320,397,837 in restitution. EDWARDS was convicted of these charges on September 29, 2006.

According to United States Attorney Nahmias and the information presented in court: The evidence showed that from 1996 through September 2000, EDWARDS, the founder of "ETS Payphones, Inc." (ETS), raised capital to grow his coin-operated payphone business by using a network of independent insurance agents to sell payphones to investors throughout the United States for \$5,000 to \$7,000 per phone. EDWARDS convinced investors to buy payphones and lease them back to ETS for what EDWARDS claimed would be a recession-proof, guaranteed profit of approximately 14% per year. EDWARDS promised he would buy back their phones upon request, when, in fact, the company did not have the financial ability to do so. The scheme defrauded approximately 12,000 nationwide investors out of more than \$400 million.

The evidence also showed that in July 2000, just two months before ETS filed bankruptcy, EDWARDS personally assured investors that ETS was financially sound and had made a profit of nearly \$8,700,000 the previous year. In truth, ETS was never profitable and always needed to obtain money from new investors to make the monthly lease payments to existing investors.

The evidence further showed that EDWARDS siphoned off approximately \$21 million of the fraud proceeds for himself and his wife. EDWARDS also used a significant portion of the fraud proceeds to promote the scheme to defraud by paying commissions to the many sales agents who sold the payphones to the victims, and by attempting to create an aura of legitimacy for himself and for his company by the use of private jets, luxury automobiles, and beach-front homes at Sea Island and St. Simons Island, Georgia.

In addition, the evidence showed that EDWARDS engaged in a series of unusual and convoluted financial transactions, which served no legitimate business purpose and were intended solely to conceal and disguise the source, location, ownership, nature, and control of the proceeds involved in those transactions.

Witnesses at trial included numerous current and former employees of ETS, several accountants and financial consultants hired by EDWARDS during the course of the scheme, and numerous investors who were victimized by the scheme. A \$2 million portion of the ill-gotten gains has already been distributed to victims.

This case was investigated by Special Agents of the FBI and IRS-Criminal Investigation Division.

Assistant United States Attorneys Randy S. Chartash and J. Russell Phillips prosecuted the case.

For further information please contact David E. Nahmias (pronounced NAH-me-us), United States Attorney or Gentry Shelnett, Chief, Criminal Division, through Patrick Crosby, Public Affairs Officer, U.S. Attorney's Office, at (404) 581-6016. The Internet address for the HomePage for the U.S. Attorney's Office for the Northern District of Georgia is [www.usdoj.gov/usao/gan](http://www.usdoj.gov/usao/gan).